

Message Text

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17

ACTION EB-06

INFO OCT-01 EA-06 ISO-00 AGR-05 CIAE-00 COME-00 INR-05

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FM AMEMBASSY BANGKOK

TO SECSTATE WASHDC 7694

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E.O. 11652: N/A

TAGS: ETRD, TH, EAGR

SUBJECT: COTTON CONTRACTS

REF: A) STATE 205637; B) STATE 227658;

C) AGR TH 4071, OCTOBER 17, 1974

1. COTTON TEXTILE INDUSTRY IN THAILAND IS HAVING SERIOUS FINANCIAL PROBLEMS. MANY COMPANIES ARE OVER EXTENDED ON LINES OF BANK CREDIT OR HAVE REACHED THE LIMIT OF BANK FINANCING. MOST TEXTILE MILLS HAVE 2 TO 4 MONTHS PRODUCTION IN INVENTORIES AND HAVE 6 MONTHS TO 1 YEAR STOCKS OF RAW MATERIALS AT PRESENT RATE OF CONSUMPTION.

2. THAI BANKS ARE LIMITED BY LAW AS TO AMOUNT OF CREDIT THEY CAN EXTEND TO ANY ONE CUSTOMER. AS MANY MILLS ARE FINANCING THEIR INVENTORIES WITH BANK CREDIT, THEY ARE UNABLE TO OBTAIN ADDITIONAL CREDIT TO IMPORT RAW MATERIAL, SUCH AS COTTON, SEE REFERENCE C.

3. SOMBOON TEXTILE, REFERENCE A, IS NOT A MEMBER OF THE THAI TEXTILE MANUFACTURERS ASSOCIATION (TTMA). HOWEVER THE COMPANY IS KNOWN TO TTMA OFFICERS. REPORTS ARE THAT SOMBOON HAS CANCELLED ITS ORDERS FOR TEXTILE MACHINERY AND HAS DISCONTINUED CONSTRUCTION OF ITS PLANT. SOMBOON

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WAS A NEW ENTERPRISE AND IT APPEARS IT WILL NOT START

OPERATION IN 1975. THERE IS LITTLE CHANCE THAT SOMBOON
WILL OPEN LETTERS OF CREDIT FOR COTTON.

4. K. COTTON AND GAUZE COMPANY IS ONE OF THE OLD ESTABLISHED
THAI TEXTILE FIRMS. THIS COMPANY IMPORTED LARGE QUANTITIES
OF RAW COTTON WHEN PRICES WERE LOW - 1972-73. OUR INFORMA-
TION IS THAT K. COTTON SOLD PART OF THE LOW PRICED COTTON
AT A CONSIDERABLE PROFIT. TEXTILE INDUSTRY REPRESENTATIVES
HAVE INFORMED US THAT K. COTTON AND GAUZE IS DELAYING OPEN-
ING LETTERS OF CREDIT AS THEY WANT TO RE-NEGOTIATE CONTRACTS.
WE HAVE RECEIVED NO WORD OF THEIR URGING OTHER MILLS TO
JOIN THEM IN REFUSING TO OPEN LETTERS OF CREDIT (LOC'S).
K. COTTON HAS EXCELLENT CREDIT AND BANKS WILL OPEN LOC'S IF
REQUESTED.

5. DUE TO SERIOUS OVER EXTENSION OF LINES OF CREDIT BY
MANY TEXTILE MILLS, BANKS ARE UNABLE TO OPEN LOC'S. WHILE
CCC CREDIT COULD BE AN ANSWER TO THE PROBLEM, THAI BANKS
ARE NOT IN A POSITION TO CONFIRM LOC'S AS REQUIRED BY
GSM-4. CHASE MANHATTAN WAS WILLING TO CONFIRM LOC'S ON
CC CREDIT FOR TWO CUSTOMERS, BUT THE CCC LINE OF CREDIT
HAD BEEN COMPLETELY OBLIGATED TO OTHER FIRMS, MANY OF
WHICH WILL NOT BE ABLE TO CONFIRM LOC'S.

6. OFFICIAL ANNOUNCEMENT OF CCC LINE OF CREDIT FOR
THAILAND DID NOT REACH THE EMBASSY UNTIL TWO WEEKS AFTER
IT WAS MADE IN WASHINGTON. WHEN EMBASSY MADE THE ANNOUNCE-
MENT MANY MILLS RUSHED TO OBTAIN A PORTION OF THE CCC
CREDIT ONLY TO FIND THE 10 MILLION WAS FULLY OBLIGATED.
INFORMATION RECEIVED BY EMBASSY INDICATES ONE U.S.
EXPORTER OBLIGATED MORE THAN 5 MILLION DOLLARS OF AVAIL-
ABLE CCC CREDIT. UNDER PRESENT CCC CREDIT PRACTICES, IT
IS DOUBTFUL THAT MORE THAN HALF OF THE 10 MILLION DOLLARS
WILL BE UTILIZED. CONCEIVABLY IF PART OF THE TEN MILLION
DOLLARS NOT UTILIZED OR NOT OBLIGATED IT COULD POSSIBLY
BE PICKED UP BY OTHER IMPORTERS.
MASTERS

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